

**REPORT ON EXAMINATION
OF THE**

AXA RE AMERICA INSURANCE COMPANY

AS OF

DECEMBER 31, 2004

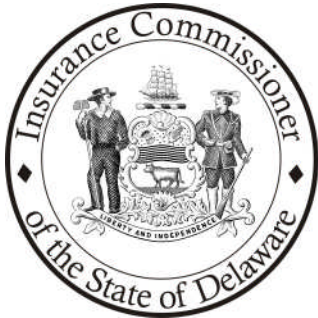
I, Matthew Denn, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of DECEMBER 31, 2004 of the

AXA RE AMERICA INSURANCE COMPANY

is a true and correct copy of the document filed with this Department.

ATTEST BY: *Antoinette Handy*

DATE: 20 JUNE 2006



In Witness Whereof, I HAVE HEREUNTO SET MY HAND AND AFFIXED THE OFFICIAL SEAL OF THIS DEPARTMENT AT THE CITY OF DOVER, THIS 20TH DAY OF JUNE 2006.

Matthew Denn
Insurance Commissioner

REPORT ON EXAMINATION
OF THE
AXA RE AMERICA INSURANCE COMPANY
AS OF
December 31, 2004

The above captioned Report was completed by examiners of the Delaware Insurance Department.

Consideration has duly been given to the comments, conclusions, and recommendations of the examiners regarding the status of the Company as reflected in the Report.

This Report is hereby accepted, adopted, and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Matthew Denn", written over a horizontal line.

MATTHEW DENN
INSURANCE COMMISSIONER

DATED this 20TH Day of JUNE 2006.

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SALUTATION

April 25, 2006

Honorable Alfred W. Gross
Chairman, Financial Condition (E)
Committee, NAIC
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
1300 East Main Street
Richmond, VA 23219

Honorable Julie Bowler
Secretary Northeastern Zone
Division of Insurance, State of Massachusetts
One South Station
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Honorable Eleanor Kitzman
Secretary Southeastern Zone
Department of Insurance
State of South Carolina
300 Arbor Lake Drive, Suite 1200
Columbia, SC 29223

Honorable Matthew Denn
Insurance Commissioner
State of Delaware
841 Silver Lake Blvd.
Dover, DE 19904

Dear Commissioners:

In compliance with instructions and pursuant to statutory provisions contained in Certificate of Authority Number 05.019, an examination has been made of the affairs, financial condition and management of

AXA RE AMERICA INSURANCE COMPANY

hereinafter referred to as "Company" incorporated under the laws of the State of Delaware. The examination was conducted at the administrative office of the Company located at 17 State

Street, New York, New York. The examination of the Company was conducted concurrently with that of its affiliates, AXA Re Property and Casualty Insurance Company (AXAPC), AXA Corporate Solutions Reinsurance Company (AXA RE) and, AXA Corporate Solutions Life Reinsurance Company (AXA LIFE RE). Separate reports of examination were filed for each company.

The report of examination thereon is respectfully submitted.

SCOPE OF EXAMINATION

The last financial condition examination of the Company, covered the period from January 1, 1999 through December 31, 2001. This examination covered the period from January 1, 2002 through December 31, 2004 and consisted of a general survey of the Company's business policies and practices; management, any corporate matters incident thereto; a verification and evaluation of assets and a determination of liabilities. Transactions subsequent to the latter date were reviewed to the extent deemed necessary.

The format of this report is designed to explain the procedures employed on the examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible personnel and/or officials during the course of the examination.

The general procedure of the examination followed rules established by the National Association of Insurance Commissioners (NAIC) Committee on Financial Condition Examiners Handbook as adopted by the Delaware Insurance Department under Delaware Insurance Code Section 526, and generally accepted statutory insurance examination standards.

In addition to items noted in this report, the following topics were reviewed and are included in the workpapers of this examination:

- Corporate Records
- Fidelity Bond
- Employees and Agents Welfare
- NAIC Ratios
- Legal Actions
- Regulatory Agency Correspondence
- All asset and liability items not mentioned

The examination was conducted in accordance with the Association Plan of Examination guidelines established by the NAIC. No zone participated in this examination.

In planning and conducting the examination, consideration was given to the concepts of materiality and risk, and examination efforts were directed accordingly. The workpapers of the Company's public accountant prepared in support of the Company's annual audit were reviewed, and utilized to the extent deemed appropriate and practicable.

HISTORY

The Company was incorporated on August 15, 1919, as Massachusetts Plate Glass Insurance Company in the state of Massachusetts and commenced business on the same day. The name of the Company was changed to USF Re Insurance Company on April 9, 1987, at the time a wholly owned subsidiary of the Centris Group, Inc. USF Re Insurance Company wrote medical stop-loss reinsurance.

On June 28, 1999, USF Re was acquired by Folksamerica Reinsurance Company (FRC). On July 1, 1999, substantially all of the assets and liabilities of USF Re at the time were transferred under a "Transfer and Assumption" agreement that was approved by the State of New

York and the Commonwealth of Massachusetts Division of Insurance. Effectively all new and renewal business was written by FRC.

On December 29, 1999, AXA Corporate Solutions Reinsurance Company (AXA RE) purchased USF Re Insurance Company for \$26.1 million from FRC.

On April 26, 2000, USF Re Insurance Company was renamed AXA Re America Insurance Company and re-domesticated to the State of Delaware. Both of these changes were approved by virtue of the certification of the Office of the Secretary of the State of Delaware of a restated Certificate of Incorporation and Certificate of Domestication, respectively.

On December 31, 2001, AXA RE, through a restructuring plan, contributed the stock of the Company to AXAPC in the form of a capital contribution. The result of the transaction caused the Company to become a subsidiary of AXAPC.

Due to the ultimate parents, (AXA) strategic decision to exit the U. S. property and casualty market, the Company informed the Delaware Insurance Department on November 26, 2002 of its intention to implement its exit strategy in 2003 and that it would enter run-off.

On September 30, 2004, the Company was sold to AXA RE - France for \$51,166,000.

The registered office of the Company is located at the Corporate Trust Center, 1209 Orange Street, Wilmington, Delaware 19801.

CAPITALIZATION

At December 31, 2004, the Company had 55,000 common shares authorized with a par value of \$60 per share, of which 50,000 shares were issued and outstanding, resulting in paid in capital of \$3,000,000. The schedule below shows the changes in the Company's capital and surplus from the previous examination to the current examination.

	Common Capital Stock	Gross Paid –in & Contributed Surplus	Unassigned Funds (Surplus)	Total
12/31/01	\$3,000,000	\$32,005,475	\$1,876,978	\$36,882,453
Operations (1)				
2002 Operations			894,222	894,222
2003 Operations			9,142,189	9,142,189
2004 Operations			1,498,127	1,498,127
12/31/04	\$3,000,000	\$32,005,475	\$13,411,516	\$48,416,991

- (1) Operations is defined as: net income, net unrealized capital gains or loss, change in net unrealized foreign exchange capital gain or loss, change in net deferred income tax, change in non-admitted assets, change in provision for reinsurance, and aggregate write-ins for gains and losses in surplus.

DIVIDENDS TO STOCKHOLDERS

The Company did not pay any dividends during the examination period.

MANAGEMENT AND CONTROL

Pursuant to the General Corporation Law of the State of Delaware, as implemented by the Company's Certificate of Incorporation and By-laws, all corporate powers of the Company and its business, property and affairs are managed by or under the direction of its Board of Directors. In accordance with its By-laws, the Board of Directors shall consist of at least three members and no more than fifteen members.

The Board of Directors is currently comprised of six members, all of whom were elected at the annual meeting of shareholders held on April 2, 2004. The members of the Board are elected for a term of one year and serve until the next annual meeting of shareholders and until their successors are elected and qualified.

The members of the Board of Directors serving as of December 31, 2004, were as follows:

<u>Director's Name</u>	<u>Principal Business Affiliation</u>
Francois Marie Chavel, Chairman	AXA Liabilities Managers – U. S.
Susan Burns Wilcher, Secretary	AXA Liabilities Managers – U. S.
John Joseph Leston	AXA Liabilities Managers – U. S.
Cedric de Linares	AXA Liabilities Managers - France
Christophe Boizard	AXA RE - France
Hans-Peter Gerhardt	AXA RE - France

The Company's bylaws provide that the Board of Directors, by resolution, may designate one or more committees, including an Executive Committee and a Finance Committee, each consisting of at least three members. As of December 31, 2004, the Board of Directors had appointed the following Directors to the Executive and Finance committees:

Executive

Francois Marie Chavel

Cedric de Linares

Finance

Francois Marie Chavel

Cedric de Linares

John Joseph Leston

The bylaws of the Company state the elected officers of the corporation shall be a President, one or more Vice Presidents, a Secretary and a Treasurer. The Board may elect such additional officers as it may from time to time decide. At December 31, 2004, the Company's principle officers and their respective titles are as follows:

<u>Officer</u>	<u>Title</u>
Francois Marie Chavel	Chairman, President & CEO
John Joseph Leston	SVP, Treasurer & CFO
Susan Burns Wilcher	SVP, Corporate Compliance Officer & Secretary
Dale Albert Diamond	SVP, General Counsel
John Joseph Bado	Vice President
Vincent Thomas Assennato	VP & Controller
Steven Bernard Goldberg	SVP & Chief Actuary
Joseph Andrew D'Ammora	VP & Asst. Controller
Alexandre Jean-Marie Scherer	VP Risk Management

It was noted that the Company was not in compliance with Section 4919 of the Delaware Insurance Code that requires the Company to provide the Delaware Insurance Department with prompt notice of changes of Directors and Officers.

It is recommended that the Company comply with the Section 4919 of the Delaware Insurance Code.

INTERCOMPANY AGREEMENTS

Tax Allocation Agreement

Effective April 2, 2001, the Company entered into a tax allocation agreement along with members of the consolidated group. This agreement provides that each member of the consolidated group will be allocated a tax liability based upon separate tax return calculations. Losses are required to be reimbursed by the parent when utilized by an individual member on a separate return basis. The Company's former holding company, AXA America Corporate Solutions, Inc., may, at its option, pay any member for its loss provided that such loss be utilized in the consolidated return but that it is unable to utilize on a separate return basis. Tax credits are

treated in the same manner. Settlement between members of the consolidated group is annual after filing of the consolidated return. Due to the transfer of ownership of the Company to AXA RE - France effective September 30, 2004, (please refer to the report section “Insurance Holding Company System”) the Company’s participation in the agreement has terminated. For year-end 2004, the Company filed on a stand alone basis for the fourth quarter.

Investment Advisory Agreement - Alliance Capital

On March 2, 2000, the Company entered into a Discretionary Investment Advisory Agreement with an affiliate, Alliance Capital Management, L.P.(Alliance Capital), a Delaware Corporation. The agreement was entered into to manage a portfolio of securities to be managed in accordance with the Company's investment guidelines. The fees structure appears to be consistent with similar agreements.

Cost Sharing/Management Services Agreement

Effective January 1, 2000 the Company entered into a cost sharing agreement with its affiliate AXA RE. The parties to the agreement have agreed to share the office space expense, certain office personnel and certain costs related to the operations of the business. All costs directly attributable to the identified company are allocated specifically to that company. Indirect costs and personnel are also terms of the agreement and are allocated based on time, square footage or other allocation methods in accordance with applicable laws and regulations.

During 2004, activity under the cost sharing agreement was effectively reduced to a nominal amount as a result of a 2004 Administrative Services Agreement detailed below. The new agreement in effect replaced the cost sharing agreement.

Administrative Services Agreement

Effective January 1, 2004, the Company entered into an Administrative and Services Agreement with AXA Liabilities Managers, Inc. (AXALM), an affiliate. In accordance with the terms of the agreement, AXALM will provide or arrange for the provision of administrative, management and other services requested by the Company. All services related to the business operations are included in this agreement. The Company reimburses AXALM for the actual costs and expenses paid by AXALM. The allocation is based upon fair and reasonable methods. This agreement was approved by the Delaware Insurance Department.

Guarantee Agreement

Pursuant to a guarantee agreement between AXA RE and AXAPC and its subsidiaries, effective January 1, 2002, AXA RE guaranteed the obligations of the Company arising under insurance and reinsurance contracts issued by the Company with respect to timely payment of contract claims made under such contracts. This guarantee terminated upon the sale of the Company to AXA RE - France on September 30, 2004, although policies issued prior to the sale date would still be covered by the guarantee. As of December 31, 2004, AXA RE has not been required to make any payments, nor establish any reserve under the agreement.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of the AXA insurance holding company system as defined under Title 18, Chapter 50, "Insurance Holding Companies" of the Delaware Insurance Code.

Holding Company registration statements were properly filed by the Company with the Delaware Insurance Department.

On September 30, 2004, the Company's immediate parent; AXAPC Insurance Company, sold the Company to AXA RE - France for \$51,166,000.

The ultimate controlling entity is FINAXA. FINAXA is a holding Company for AXA, a French Holding Company for an international group of insurance and related financial services companies. Please refer to the "Subsequent Events" section of this report for comments regarding organizational changes subsequent to the examination date.

For the fiscal year ending 2004, AXA possessed assets of approximately \$60.8 billion shareholders surplus of \$32.5 billion.

As stated in its 2004 Registration Statement, effective January 1, 2005, approximately 17.63% of issued ordinary shares of (representing 27.98% of voting power) of AXA were owned directly and indirectly by FINAXA. The principal shareholders of FINAXA are three French mutual insurance companies (the "Mutuelles AXA"), which owned 71.69% of shares outstanding (representing 80.36% voting power) of FINAXA.

BNP Paribas, a French bank, owned 20.9% of shares outstanding of FINAXA (representing 12.89% of voting power).

Mutuelles AXA owns directly or indirectly 20.35% of issued ordinary shares (representing 32.35% of voting power) of AXA.

The following organizational chart of which the Company is a part, illustrates the identities and relationships between its parent, affiliates and subsidiaries as of December 31, 2004.

Company Name	Domicile	Ownership Percentage	Voting
Percentage			
Mutuelles AXA	France	71.11%	80.36%
BNP Parisbas	France	20.90%	12.89%
FINAXA*	France	92.01% (1)	93.25%(1)
AXA	France	37.98% (2) (3)	60.33% (2)
(3)			
AXA RE	France	100%	
AXA Re America Insurance Company	DE	100%	
AXA Space Inc.	MD	100%	
Oudinot Participations	France	100%	
AXA America Holdings, Inc.	DE	99.9% (4)	
AXA America Corporate Solutions Inc.	DE	100%	
AXA Corporate Solutions Reinsurance Company	DE	100%	
AXA Corporate Solutions Life Reinsurance Company	DE	100%	
AXA Delaware LLC.	DE	100%	
AXA Corporate Solutions Insurance Company	NY	100%	
AXA Re Property and Casualty Ins. Company	DE	100%	
*AXA Corporate Solutions Management Services Company of Texas	TX	100%	
*AXA Corporate Solutions Lloyds Insurance Company of Texas	TX	100%	

* See Subsequent Events section of this Report

(1) Percentage represents collective ownership of FINAXA by Mutuelles AXA and BNP Parisbas

(2) FINAXA directly owns 17.63% of AXA, representing 27.98% of voting power

(3) Mutuelles AXA directly or indirectly owns 20.35% of AXA, representing 32.35% of voting power

(4) minority ownership of .1% is owned by AXA

Inter-company agreements have been properly approved and filed with the Delaware Insurance Department.

TERRITORY AND PLAN OF OPERATION

Effective November 26, 2002, the Company entered into run-off. The Company is licensed in 46 states, the District of Columbia and Puerto Rico. Company licenses were traced to Schedule T of the 2004 annual statement without exception.

The following MGAs were observed:

<u>Name of General Agent</u>	<u>Type of business written</u>	<u>Authority</u>	<u>Direct Premium Written</u>
International Catastrophe Managers, LLC (ICAT)	Commercial, DIC, EQ, Wind/HAIL	U,P,B	(\$1,956,578)*
Cabrillo General Agency	Personal Auto, Auto PD	U,P,B	\$13,112,184

*Negative direct written premium is the results of accruals and timing differences.

Legend

DIC – Difference in conditions

EQ – Earthquake

U – Underwriting

P – Premium collection

B – Binding authority

During 2002, the Company terminated its MGA agreements with , International Catastrophe Insurance Managers, LLC. (ICAT) and Cabrillo General Insurance Agency (Cabrillo).

The Company has employed Third Party Administrators (TPA's), International Management Solutions Inc. (IMSI) and Tide Water Claim Services Inc. (Tide Water), to manage claims for ICAT and Cabrillo, respectively. The TPA's have claim payment and reserving authority.

The Company has made a strategic decision to exit its program business segment and enter into a run-off status. This resulted in notices of non-renewal to its MGA's subject to contract and regulatory requirements. Renewal business has continued due to regulatory requirements obliging the Company to offer renewals where appropriate.

GROWTH OF COMPANY

The financial growth of the Company since its last examination (2001) is summarized as follows and was compiled from its filed Annual Statements:

Year	Net Written Premium	Assets	Liabilities	Common Stock	Gross Paid –in	Unassigned Surplus	Net Income
2001	\$6,897,233	\$61,562,567	\$24,680,114	\$3,000,000	\$32,005,475	\$1,876,978	\$851,713
2002	32,563,241	83,683,469	45,906,794	3,000,000	32,005,475	2,771,200	(4,077)
2003	6,147,496	99,762,974	52,844,110	3,000,000	32,005,475	11,913,389	10,728,301
2004	736,260	64,079,560	15,662,569	3,000,000	32,005,475	13,411,516	1,367,801

Since its last examination, the growth of the Company has taken the form of the following:

- A 89% decrease in net written premiums
- A 4% increase in admitted assets
- A 37% decrease in liabilities
- A 615% increase in unassigned surplus

The following factors contributed to the Company's growth:

- The Company informed the Delaware Insurance Department on November 26, 2002, that it will no longer renew business and would enter run-off. Accordingly, net written premiums decreased approximately 88% from \$6.2 million in 2003 to \$736,000 in 2004.
- Assets decreased approximately 36% from 2003 to 2004 due to a significant decrease in uncollected and deferred premium as a result of its run-off status.
- The increase in surplus is primarily due to an \$11 million underwriting gain in 2003.

REINSURANCE

For the year ended 2004, the Company reported the following distribution of net premiums written:

Direct written	\$11,155,606
Reinsurance assumed from affiliates	3,371,009
Reinsurance assumed from non-affiliates	<u>(1,666,565)*</u>
Total Gross	\$ 12,860,050
Reinsurance ceded to affiliates	2,591,489
Reinsurance ceded to non affiliates	<u>9,532,301</u>
Total Ceded	\$ 12,123,790
Net written	<u>\$ 736,260</u>

*Negative direct written premium is the results of accruals and timing differences.

Assumed

Affiliated reinsurance is through a 100% quota share, effective June 1, 2001 with AXA Corporate Solutions Lloyds Insurance Company of Texas (AXA Lloyds). The Company assumes 100% of the business produced, underwritten and administered for and on behalf of AXA Lloyds by ICAT.

During late 2002 the Company made a strategic decision to run-off its program business. Due to the run-off all other existing assumed reinsurance contracts were terminated on a run-off basis. Significant contracts included a 100% quota share with the Clarendon companies that was administered thru ICAT, a 100% quota share agreement with Wellington Insurance Company, a non affiliated Company (formerly AXA Corporate Solutions Excess and Surplus Lines Insurance Company), and a first casualty excess agreement with AXA Corporate Solutions Reinsurance Company for policies originally written by Zurich American Insurance Company. Subsequent to the examination period the Company assumed less than \$118,000 during 2005.

Ceded

As part of the review of the reinsurance program prior to run-off, it was observed that the company did not have a properly executed Intermediary Agreement in place with Benefield Group, PLC.

It is therefore recommended that the Company obtain an executed reinsurance intermediary agreement.

The Company entered run-off during 2003, and has altered its reinsurance program to reflect current operations. Effective October 1, 2003, the Company entered into a 100% quota share agreement with XL Specialty Insurance Company for all business written or assumed thru

its MGA, ICAT. Also effective October 1, 2003, the Company entered into a 100% quota share agreement with Odyssey America Insurance Company (80% participant) and AXA RE, - France (20% participant) for all business written or assumed thru its MGA, Cabrillo. These two brokers are the only remaining active MGAs.

ACCOUNTS AND RECORDS

The accounts and records reviewed included an evaluation of the Company's operational and organizational controls. The areas evaluated included computer systems, accounting systems, the Company's organizational structure, and its processing structure. The Company operates in a computer dominated environment.

A high level assessment of the internal control structure and processes for the Company's accounting and computer systems was discussed with management and reviewed after completion of questionnaires developed by the NAIC and the Delaware Department of Insurance. The discussions and review did not mention any material deficiencies in the Company's internal control structure.

An external accounting firm audits the statutory-basis financial statements of the Company annually. The Company's external firm reviewed the internal control structure in order to establish the necessary audit procedures required to express an opinion on the December 31, 2004 financial statements. No significant or qualifying deficiencies were found to exist in the design or operation of the internal control structure.

Based on the examination review of the filed Annual Statements, observations, and subsequent discussions with management, the accounting systems and procedures generally conform to insurance accounting practices and requirements.

While the Company's internal control structure and processes appeared adequate, further observations noted that certain control procedures were not being followed with regard to its MGA operations. The examination approach was modified to a more substantive review in order to address those weaknesses noted.

FINANCIAL STATEMENTS

The following financial statements as determined by this examination are presented herein:

Analysis of Assets as of December 31, 2004
Liabilities, Surplus and Other Funds December 31, 2004
Underwriting and Investment Exhibit - Statement of Income
Capital and Surplus Account for the one-year period ending December 31, 2004

Analysis of Assets
As of December 31, 2004

<u>Assets</u>	<u>Ledger Assets</u>	<u>Non-Ledger Assets</u>	<u>Not Admitted Assets</u>	<u>Net Admitted Assets</u>	<u>Note</u>
Bonds	\$28,195,876			\$28,195,876	1
Cash, cash equivalents and short-term investments	6,206,024			6,206,024	2
Investment income due and accrued	472,453			472,453	
Uncollected premiums and agents balances in course of collection	13,703,875			13,703,875	3
Deferred premiums, agents balances and installments, booked but deferred and not yet due	600,000			600,000	
Amounts recoverable from reinsurers	12,173,955			12,173,955	3
Current federal & foreign income tax recoverable	1,377,466			1,377,466	
Net deferred tax asset	140,650		\$123,392	17,258	
Receivable from parent	1,332,653			1,332,653	
Aggregate write-ins for other than invested assets	68,165		68,165	0	
Totals	<u>\$64,271,117</u>	<u>\$ 0</u>	<u>\$191,557</u>	<u>\$64,079,560</u>	

Liabilities, Surplus and Other Funds

		<u>Note</u>
Losses	\$ 3,207,758	4
Reinsurance payable on paid loss and loss adjustment expenses	1,289,623	
Loss adjustment expenses	776,028	4
Commissions payable, contingent commissions & similar charges	1,139,806	
Other expenses	338,234	
Taxes, licenses and fees	(940,965)	
Ceded reinsurance premiums payable	(1,343,955)	
Funds held by company under reinsurance treaties	9,619,181	
Provision for reinsurance	187,194	
Payable to parent, subsidiaries and affiliates	<u>1,389,665</u>	
Total liabilities	<u>\$15,662,569</u>	
Common capital stock	\$ 3,000,000	
Gross paid in and contributed surplus	32,005,475	
Unassigned funds	<u>13,411,516</u>	
Surplus as regards policyholders	<u>\$48,416,991</u>	
Total	<u>\$64,079,560</u>	

Underwriting and Investment Exhibit: Statement of Income
For the Year Ended December 31, 2004

Note

Underwriting Income

Premiums earned	\$ 736,260
Deductions:	
Losses incurred	\$(1,842,238)
Loss expenses incurred	612,709
Other underwriting expenses incurred	<u>3,486,467</u>
 Total underwriting deductions	 \$ 2,256,938
 Net underwriting gain or (loss)	 <u>\$(1,520,678)</u>

Investment Income

Net investment income earned	\$ 1,942,694
Net realized capital gains or (losses)	<u>879,823</u>
 Net investment gain or (loss)	 <u>\$ 2,822,517</u>
 Net income before federal income taxes	 \$ 1,301,839
Federal income taxes incurred	<u>(65,962)</u>
 Net Income	 <u>\$ 1,367,801</u>

Capital and Surplus Account

Surplus as regards policyholders, December 31, 2003	<u>\$46,918,864</u>
 Net income	 \$ 1,367,801
Change in net deferred income tax	(105,408)
Change in nonadmitted assets	121,219
Change in provision for reinsurance	<u>114,515</u>
 Change in surplus as regards policyholders for the year	 <u>\$ 1,498,127</u>
 Surplus as regards policyholders, December 31, 2004	 <u>\$48,416,991</u>

Schedule of Examination Changes

Based on the results of this examination, no financial examination changes were made.

NOTES TO FINANCIAL STATEMENTS**Note 1****Bonds****\$28,195,876**

The Company's bond holdings totaled \$28.2 million and comprised 44% of total admitted assets and 82% of the Company's total invested assets at December 31, 2004. Security composition for the year ending 2004 was comprised of the following:

U.S. Governments	\$ 7.6 million
States, Political Subdivisions	\$ 1.0 million
Special Revenue	\$ 0.6 million
Public Utilities	\$ 3.8 million
Industrial & Miscellaneous	<u>\$15.2 million</u>
	<u>\$28.2 million</u>

Of the Company's total bond holdings, 82% or \$22,981,436 were categorized as Class 1 and 19% or \$5,214,442 were categorized as Class 2 with respect to NAIC credit quality standards. All investments were rated by the SVO, Moody's and Standard and Poor's with similar quality ratings.

Note 2**Cash on Hand and Short Term Investments****\$6,206,024**

Cash of \$5,395,801 represents 87% of cash and short term investments. Cash equivalents of \$20,000 or .32% of the total consisted of a Certificate of Deposit. Short-term investments of \$790,223 or 12.73% of the total was comprised primarily of Money Market Funds.

Note 3

<u>Premiums & Agents Balances in Course of Collection</u>	<u>\$13,703,875</u>
<u>Reinsurance Recoverable on loss and loss adjustment expenses</u>	<u>\$12,173,955</u>

Agents' balances and reinsurance recoverables have decreased substantially in 2005 to \$3,850, 307 and \$3,698,083 respectively. Agents' balances decreased from 2004 levels due to the Company's run-off status. Reinsurance recoverable balances were higher in 2004 due to losses directly related to the 2004 hurricanes affecting Florida.

Note 4

<u>Loss Reserves</u>	<u>\$ 3,207,758</u>
<u>Loss Adjustment Expense Reserves</u>	<u>\$ 776,028</u>

Loss and loss adjustment expense reserves represent 25.4% of the Company's liabilities as of December 31, 2004. Incurred but not reported reserves (IBNR) constituted 77.9% of loss reserves at year-end 2004.

INS Consultants, Inc. (INS) was retained by the Delaware Insurance Department to conduct a review of the Company's reserve methodologies and adequacy. INS evaluated the Company's book of business by line of business for loss and allocated loss adjustment expenses. The conclusions reached by INS are largely based upon information supplied by the Company's staff, which included an in-depth actuarial analysis. The INS reserve analysis was performed on both a gross basis and net of reinsurance and did not address the collectibility of reinsurance recoverables. The INS reserve review found the Company's combined net loss and loss adjustment expense reserves were adequate to support the business underwritten.

The underlying data was tested through a review of open and paid claim files and actual payments made with no exceptions noted. The aggregated actuarial data provided by the Company was verified and reconciled to Schedule P of the Company's filed Annual Statement.

Loss and LAE reserves are subject to errors of estimation arising from the fact that the ultimate liability for claims evaluated as of the valuation date are dependent on future contingent events which cannot always be anticipated. The possible occurrence of such events, as well as the inherent uncertainty associated with statistical estimates, allows no guarantee that the actual ultimate liabilities will be the same as the reserve levels described in this examination report. As a result of this study, the reserves were accepted.

COMPLIANCE WITH PRIOR REPORT RECOMMENDATIONS

- (1) It was recommended that the Company issue a new stock with the correct par value of \$60 per share. Furthermore, it was recommended that the Company correct the General Interrogatory 21.1 of the Annual Statement.

The Company has complied

- (2) It was recommended that either the Company's Directors elect the officers at the annual Board of Directors meeting in accordance with Article 5, Section 2 of the By-laws or amend the By-laws to reflect the current practice of the shareholder electing the officers at the annual shareholders meeting. Additionally it was noted that the Company does not have a named treasurer, and should either amend the By-laws or name a treasurer.

The Company has complied

- (3) It was recommended that the Company comply with the Section 4919 of the Delaware Insurance Code.

The Company has not complied with this prior recommendation, and it has again been included in the Summary of Recommendations of this Report.

- (4) It was recommended that the Company comply with Delaware Insurance Code Section 5004(a)(3)(b)3b and disclose all cost sharing agreements with affiliates.

The Company has complied.

- (5) It was recommended that the Company comply with section 5005 (a)(2)(c) of the Delaware Insurance Code, "prior notification of reinsurance agreements among affiliates in which premium or change in insurers liabilities exceeds 5% of policyholders surplus.

The Company has complied.

- (6) It is recommended that the Company properly reflect AXA Lloyds business in Schedule F per Annual Statement instructions.

The Company has complied.

- (7) It is recommended that the Company continue the development and implementation of the insurance accounting database system to properly support and manage the growing direct business of the Company.

The Company has not complied with this prior recommendation; however, it is no longer deemed an examination issue since the Company has entered into run-off.

- (8) It was recommended that the Company obtain Fidelity Bond coverage for at least the NAIC suggested minimum.

The Company has complied.

SUMMARY OF RECOMMENDATIONS

- (1) It was noted that the Company was not in compliance with Section 4919 of the Delaware Insurance Code that requires the Company to provide the Delaware Insurance Department with prompt notice of changes of Directors and Officers.

It is recommended that the Company comply with the Section 4919 of the Delaware Insurance Code. (Refer to Management and Control, page 7)

- (2) During our review the Company could not provide a reinsurance intermediary agreement, with the Benfield group.

It is therefore recommended that the Company obtain an executed reinsurance intermediary agreement. (Refer to Reinsurance, page 14)

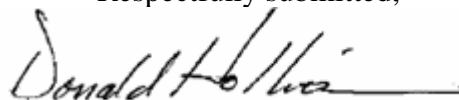
CONCLUSION

As a result of this examination, the financial condition of the AXA Re America Insurance Company, as of December 31, 2004, was determined as follows:

Description	12/31/04	12/31/01	Changes
	Current Examination	Prior Examination	Increase (Decrease)
Assets	<u>\$ 64,079,560</u>	<u>\$ 61,562,567</u>	<u>\$2,516,993</u>
Liabilities	15,662,569	24,680,114	(9,017,545)
Common capital stock	3,000,000	3,000,000	-0-
Gross paid in and contributed capital	32,005,475	32,005,475	-0-
Unassigned funds (surplus)	<u>13,411,516</u>	<u>1,876,978</u>	<u>11,534,538</u>
Total surplus as regards policyholders	<u>48,416,991</u>	<u>36,882,453</u>	<u>11,534,538</u>
Totals	<u>\$ 64,079,560</u>	<u>\$ 61,562,567</u>	<u>\$ 2,516,993</u>

Since the last examination, the Company's assets have increased \$2,516,993; liabilities have decreased \$9,017,545 and capital and surplus increased \$11,534,538. In addition to the undersigned, acknowledgment is made of the assistance provided by the Delaware Insurance Department's consulting actuarial firm, INS Consultants, Inc.

Respectfully submitted,



Don Hollier, CFE
Examiner-in-Charge
State of Delaware
Northeastern Zone, NAIC

SUBSEQUENT EVENTS

On December 16, 2005, the shareholders of AXA, who are common shareholders of its immediate parent, FINAXA, approved the merger of FINAXA into AXA, with AXA being the surviving entity. Refer to the organizational chart under “Insurance Holding Company” for additional illustration.

On December 16, 2005, the Company’s downstream subsidiary, AXA Corporate Solutions Management Services Company of Texas, a Texas corporation was dissolved. Refer to the organizational chart under “Insurance Holding Company System”, page 12 for additional illustration.

On March 9, 2006, the Company’s downstream subsidiary, AXA Corporate Solutions Lloyds Insurance Company of Texas, was dissolved. Refer to the organizational chart under “Insurance Holding Company System”, page 12 for additional illustration.

On April 7, 2006 AXA announced the receipt of a binding offer for the business of the Company’s parent; AXA RE - France from Paris Re Holdings Limited. Paris Re Holdings Limited is a newly-created company sponsored by a consortium of international investors led by Trident III, L.P., a fund managed by Stone Point Capital LLC, and in which AXA would take participation between 5% and 10%. Other lead investors include Hellman & Friedman, Vestar Capital Partners, Crestview Capital Partners, ABN Amro and New Mountain Capital.

Under the terms of the offer, the business of AXA RE - France would be ceded in 2007 to Paris Re Holdings, with the risks attached to the 2006 claims experience of ceded business also accruing to Paris Re Holdings. Underwriting and claims for 2006 and prior years would continue to be managed by AXA. AXA would guarantee the reserves pertaining to losses incurred on or

before December 31, 2005. Paris Re Holdings plans to rely on the expertise of AXA RE employees to carry forward this strategy.

The sale of the Company which is part of the proposed transaction has not yet been approved by the Delaware Insurance Department .